Weekly Ag Update

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WEATHER SUMMARY

Temperatures for the week were normal in the southeast and generally 4 to 5 degrees above normal elsewhere. Most of the week was dry, but a storm system brought some spotty, mostly light precipitation late in the week...mainly over the northwest quarter of the state.

NEW MEXICO WEATHER CONDITIONS - FEBRUARY 5 - 11, 2006

Station	Temperature			Precipitation				
	Mean	Maximum	Minimum	02/05 02/11	02/01 02/11	Normal Feb	01/01 02/11	Normal Jan-Feb
Farmington	40.4	56	18	0.04	0.26	0.57	0.70	1.16
Gallup	40.0	58	14	0.00	0.03	0.74	0.74	1.54
Capulin	35.5	53	15	0.00	0.11	0.56	0.82	0.96
Chama	33.7	56	8	0.47	0.57	1.58	2.58	3.35
Johnson Ranch	33.8	58	5	0.16	0.16	0.57	0.90	1.24
Las Vegas	42.4	60	26	0.00	0.03	0.48	0.51	1.08
Los Alamos	38.1	52	18	0.00	0.16	0.80	1.13	1.66
Raton	41.1	63	22	0.00	0.11	0.54	0.40	1.01
Red River	30.4	53	8	0.07	0.56	1.22	2.42	2.29
Santa Fe	39.1	56	20	0.02	0.12	0.69	0.66	1.32
Clayton	39.9	68	24	0.00	0.02	0.31	0.36	0.55
Clovis	46.1	73	24	0.00	0.07	0.51	1.29	0.90
Roy	43.7	70	21	0.00	0.08	0.43	0.54	0.77
Tucumcari	44.3	73	22	0.00	0.05	0.45	0.94	0.73
Grants	38.1	56	19	0.27	0.27	0.51	1.22	1.00
Quemado	38.4	58	14	0.22	0.47	0.72	1.77	1.55
Albuquerque	46.9	65	30	0.24	0.24	0.46	0.42	0.90
Carrizozo	45.3	66	22	0.00	0.43	0.57	1.09	1.17
Socorro	47.1	72	22	0.00	0.00	0.39	0.26	0.78
Gran Quivera	46.6	64	25	0.00	0.07	0.82	0.21	1.52
Moriarty	34.6	53	15	0.04	0.08	0.48	0.89	0.91
Ruidoso	41.8	62	19	0.00	0.50	1.16	3.12	2.28
Carlsbad	47.6	79	25	0.00	0.00	0.35	0.81	0.70
Roswell	43.3	77	22	0.00	0.00	0.46	1.26	0.89
Tatum	43.9	74	20	0.00	0.03	0.50	1.09	0.89
Alamogordo	54.1	68	35	0.00	0.08	0.54	1.00	1.21
Animas	44.4	66	21	0.00	0.00	0.51	1.15	1.19
Deming	51.7	74	26	0.00	0.04	0.46	1.27	1.02
Las Cruces	52.4	74	30	0.00	0.01	0.37	1.39	0.83
T or C	52.8	71	31	0.00	0.02	0.38	0.89	0.84

(T) Trace (-) No Report (*) Correction

All reports based on preliminary data. Precipitation data corrected monthly from official observation forms.

WOOL PRODUCTION

NEW MEXICO: Number of sheep shorn in New Mexico during 2006 decreased 30,000 head from 2005 to 125,000 head. The weight per fleece was slightly higher at 7.5 pounds in 2006 compared to 7.4 pounds in 2005. Production totaled 940,000 pounds a drop from the 1.15 million pounds a year earlier. Average price per pound was down by 30 cents to $.90, bringing the total value of production to $846,000 in 2006.

UNITED STATES: Shorn wool production in the United States during 2006 was 36.0 million pounds, down 3 percent from 2005. Sheep and lambs shorn totaled 4.85 million head, down 4 percent from 2005. The average price paid for wool sold in 2006 was $0.68 per pound for a total value of 24.4 million dollars, down 7 percent from 26.3 million dollars in 2005.

Wool: Number of Sheep and Lambs Shorn, Weight per Fleece, Production, Price per Pound, and Value by State And United States, 2005-2006

	Sheep Shorn		Weight Per Fleece		Production		Price Per Pound		Value [1/]	
	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006
	-------1,000 Head-----		--------Pounds---------		-------1,000 Pounds-----		---------Dollars--------		----1,000 Dollars---	
AZ	95.0	100.0	5.9	6.0	560	600	0.30	0.35	168	210
CA	500.0	490.0	7.0	7.1	3,500	3,500	0.70	0.72	2,450	2,520
CO	420.0	380.0	6.3	6.8	2,650	2,600	0.63	0.75	1,670	1,950
ID	210.0	215.0	9.0	9.2	1,890	1,980	0.75	0.71	1,418	1,406
IL	57.0	55.0	6.8	6.7	385	370	0.35	0.28	135	104
IN	42.0	44.0	6.4	6.3	270	275	0.17	0.17	46	47
IA	220.0	200.0	5.8	6.2	1,270	1,230	0.27	0.24	343	295
KS	63.0	63.0	6.8	7.1	430	449	0.40	0.35	172	157
KY	18.0	17.0	6.7	6.5	120	110	0.50	0.29	60	32
MD	17.0	15.0	7.0	7.0	119	105	0.56	0.51	67	54
MI	81.0	70.0	5.9	6.0	480	420	0.39	0.45	187	189
MN	150.0	140.0	6.5	6.5	970	910	0.38	0.34	369	309
MO	67.0	65.0	6.5	6.3	435	410	0.37	0.42	161	172
MT	260.0	255.0	9.6	9.2	2,490	2,350	0.98	0.91	2,440	2,139
NE	85.0	80.0	7.1	7.5	600	600	0.40	0.36	240	216
NV	54.0	56.0	9.3	9.3	500	520	0.87	0.81	435	421
N ENG [1/]	41.0	37.0	7.1	7.0	293	259	0.45	0.55	132	142
NM	**155.0**	**125.0**	**7.4**	**7.5**	**1,150**	**940**	**1.20**	**0.90**	**1,380**	**846**
NY	49.0	51.0	6.7	7.1	330	360	0.19	0.25	63	90
NC	7.0	6.0	6.1	6.3	43	38	0.49	0.50	21	19
ND	78.0	80.0	8.8	8.7	690	695	0.60	0.60	414	417
OH	133.0	127.0	6.0	6.0	800	760	0.28	0.25	224	190
OK	45.0	40.0	6.0	6.3	270	252	0.40	0.40	108	101
OR	190.0	188.0	6.3	6.2	1,190	1,170	0.64	0.59	762	690
PA	71.0	60.0	6.5	6.7	460	400	0.27	0.30	124	120
SD	330.0	335.0	7.8	7.2	2,582	2,415	0.60	0.63	1,549	1,521
TN	17.0	16.0	6.2	6.3	105	100	0.47	0.35	49	35
TX	800.0	700.0	6.9	7.0	5,550	4,900	0.96	0.91	5,328	4,459
UT	235.0	260.0	9.3	9.0	2,180	2,350	0.71	0.71	1,548	1,669
VA	37.0	35.0	6.0	5.7	223	200	0.42	0.41	94	82
WA	40.0	41.0	8.1	7.3	324	300	0.68	0.43	220	129
WV	23.0	23.0	5.8	5.7	133	131	0.48	0.49	64	64
WI	67.0	73.0	7.3	7.1	490	520	0.30	0.27	147	140
WY	380.0	370.0	9.3	9.6	3,530	3,550	1.00	0.92	3,530	3,266
Oth Sts [2/]	35.0	40.0	6.3	6.3	220	250	0.70	0.85	154	213
U.S.	5,072.0	4,852.0	7.3	7.4	37,232	36,019	0.71	0.68	26,272	24,414

[1/] Production multiplied by marketing year average price. U.S. value is summation of State values. [2/] N ENG includes CT, ME, MA, NH, RI, and VT. [3/] Other States include AL, AK, AR, DE, FL, GA, HI, LA, MS, NJ, and SC.

MOHAIR PRODUCTION

NEW MEXICO: Goats clipped in New Mexico in 2006 decreased to 7,000 head. The 2006 average clip per goat increased to 6.3 pounds per goat yielding a total production of 44,000 pounds. Price per pound increased from $3.25 in 2005 to $4.00 in 2006. The rise in price resulted in an increase in the total value from $156,000 to $176,000.

UNITED STATES: Mohair production in the United States during 2006 was 1.35 million pounds. Goats and kids clipped totaled 216,000 head. Average weight per clip was 6.30 pounds. Mohair price was $3.68 per pound with a value of 4.98 million dollars.

Mohair: Production, Price and Value by Selected States and 3-State Total, 2005-06 [1/]

State	Goats Clipped		Avg. Clip Per Goat		Production		Price Per Pound		Value	
	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006
	----1,000 Head ----		---------Pounds-------		----1,000 Pounds---		---------Dollars--------		----1,000 Dollars----	
AZ	21,000	16,000	4.8	5.0	100	80	1.10	1.30	110	104
CA [1/]	2,500	2,500	9.2	8.0	23	20	3.00	4.00	69	80
NM	**8,000**	**7,000**	**6.0**	**6.3**	**48**	**44**	**3.25**	**4.00**	**156**	**176**
TX	200,00	170,000	6.3	6.5	1,250	1,100	3.00	4.00	3,750	4,400
Oth. Sts. [2/]	23,500	20,500	5.3	5.4	125	110	1.65	2.00	206	220
U.S.	255,000	216,000	6.1	6.3	1,546	1,354	2.78	3.68	4,291	4,980

[1/] Production multiplied by marketing year average price. U.S. value is summation of State values. [2/] Other states include AL, AK, AR, CO, CT, DE, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NH, NJ, NY, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, UT, VT, VA, WA, WV, WI, and WY.

LIVESTOCK OUTLOOK
January 23, 2007

Cattle/Beef: Seasonal holiday disruptions and snow storms in the western Central Plains temporarily reduced marketings of fed cattle over the last week of 2006 and first weeks of 2007. Hay stocks in some areas are declining rapidly from already-low levels, and cow slaughter has remained heavy in the context of January 1, 2006 cow inventories, primarily due to inadequate winter pastures. Feeder cattle placements for November 2006 were also lower than November 2005 levels, while marketings were up from year-earlier levels, both counts reflecting heavy placements over the past several months.

Cow Slaughter May Slow Expansion: Cow slaughter as a proportion of January 1, 2006 cow inventories has remained heavy, primarily due to inadequate winter pastures and rapidly depleting hay stocks that were already low. Commercial cow slaughter, at roughly 5.4 million head for 2006, is 11.7 percent above slaughter for 2005 and 5 percent above 2004. Average annual cow slaughter over the past 10 years has been about 14 percent of January 1 cow inventories, with higher slaughter rates during 10-year cyclical cattle inventory liquidations and lower slaughter rates during expansions. Annual commercial cow slaughter for 2006 will likely be about 13 percent of January 1, 2006 cow inventories, compared with 11.6 and 12.3 percent of January 1, 2005 and 2004 inventories, respectively. These estimates indicate a reduced rate of inventory expansion during 2006, in contrast to the rate of expansion over the last 2 years. The *Cattle* report to be released on February 2 may point to a national cow herd expansion that has slowed, as the January 1, 2007 beef cow inventory may not show a significant increase over January 1, 2006 inventories. The *Cattle* report, along with the January 2007 *Cattle on Feed* report, could give some indication of the extent to which heifer retention for cow inventory expansion has been affected by poor forage conditions. Any significant cow herd expansion will likely come from the 2007 calf crop, implying that actual cow herd expansion could be at a reduced rate until 2009, which could provide support for beef prices for the foreseeable future. Grazing conditions will have to improve in 2007 and hay stocks will need to be rebuilt before producers will feel confident in holding back more heifers for herd expansion. These heifers would not be bred until 2008 and would not calve and begin to add to feeder cattle supplies until 2009.

Calves from these inventory-building efforts will not begin exiting feedlots as market-ready cattle until 2010 or later. Thus, any significant increases in beef production will have to come from heavier slaughter weights, feeder cattle imports from Canada and Mexico, or slaughter cattle imports from Canada, all of which will be dependent on normal pasture conditions during 2007. Recent snows in the Plains States should provide early spring moisture for pasture growth.

Pasture conditions, particularly cool season pastures, including winter wheat, deteriorated throughout the fall of 2006, and feeder cattle entered feedlots at lighter weights and greater numbers than under normal conditions. Significantly higher corn prices have adversely affected feeder steer prices. Fourth-quarter 2006 prices averaged 10 percent below fourth-quarter 2005 prices as higher feeding costs forced down feeder cattle prices.

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Fourth-Quarter Year-to-Year Calf Slaughter Increases: Another indication of declining demand for feeder cattle is increased calf slaughter, which occurs when calves are worth less as stockers or feeders due to unfavorable pasture conditions or higher cost of grain. Calf slaughter, mostly of dairy steer calves, was at a record low in 2006, but began to rise above a year earlier last summer as forage conditions declined. Fourth-quarter slaughter rose 15 percent above a year earlier. This was the second year-to-year fourth-quarter increase since the sharp grain price increases in 1995-96 and again in 2002-02.

Estimated calf slaughter weights in early January 2007 are averaging about 20 pounds below January 2006 levels. The lower slaughter calf weights are being offset by higher slaughter levels. Monthly calf slaughter and monthly veal production were higher in October, November, and likely December 2006 than year-earlier levels. These factors suggest more veal calves are being slaughtered rather than being placed on pasture or in other backgrounding situations. Higher corn prices for the feeding sector are coinciding with higher hay prices due to low hay stocks at the start of the winter supplemental feeding season, compounded by the heavy snowstorms that have affected the Central Plains States.

Despite the negative factors in the cattle/beef sector, including deteriorated pasture conditions and higher prices for energy, the cow/calf /feeder sector continues to maintain favorable profits. Calf prices at Oklahoma City were below a year earlier during spotty trading in the first part of January, likely reflecting the poor fall and winter pasture situation, high costs of supplemental winter feeding, and sharply higher corn prices. However, sufficient precipitation this winter to give pastures a more normal start this spring will likely have a favorable impact on feeder cattle prices over the next several months, despite high corn prices due to ethanol demand.

Cattle feeders were in the red, with fed cattle prices currently in the upper $80 range. These prices are supported in part by weather markets and by gradually increasing exports to most traditional pre-BSE international markets, except Korea. Cattle feeders affected by late December 2006-January 2007 snowstorms were hit with higher feed and fuel costs and lower gains, and some feeders encountered high death losses. The potentially devastating losses for individual cow-calf and feedlot producers will likely translate into relatively minor wholesale and retail market impacts, unless additional severe storms develop. The quarterly *Cattle on Feed* report to be issued January 26 will likely indicate proportionally more heifers on feed, further signaling a slowdown in the national cow herd expansion. This could lead to a decline in average slaughter weights for all cattle because heifers have lower dressed weights than steers, although continued large cow slaughter will also hold down weight increases.

Markets Continue To Chase Choice Beef: The unseasonably wide spread between Choice and Select cutout values indicates that the market continues to chase Choice cattle, although this spread has narrowed in the last several weeks. During the last few weeks in December 2006, the Choiceover-Select premium was about $17 per cwt, but this has moved below $15 in the last several weeks.

With the beef industry moving past the holiday season, retail markets are settling into more typical patterns. Fourth-quarter 2006 retail prices were 2 percent below 2005 prices. Wholesale-to-retail price spreads widened from a year earlier, with both the retail and packer spreads widening modestly. Some featuring of middle cuts over other lower priced cuts, and the relatively light supplies of Choice beef, could support retail prices.

Exports to South Korea have stalled over bone fragment disputes and purported traces of dioxin. Growth in exports to Japan has been limited by the agreement that U.S. beef exports to Japan be from cattle 20 months of age or younger. Only a limited number of U.S. age-verifiable cattle meet this restriction.